

Public Sector Corporate Services VfM Indicators

Finance

2007/2008

Richforest

compared with

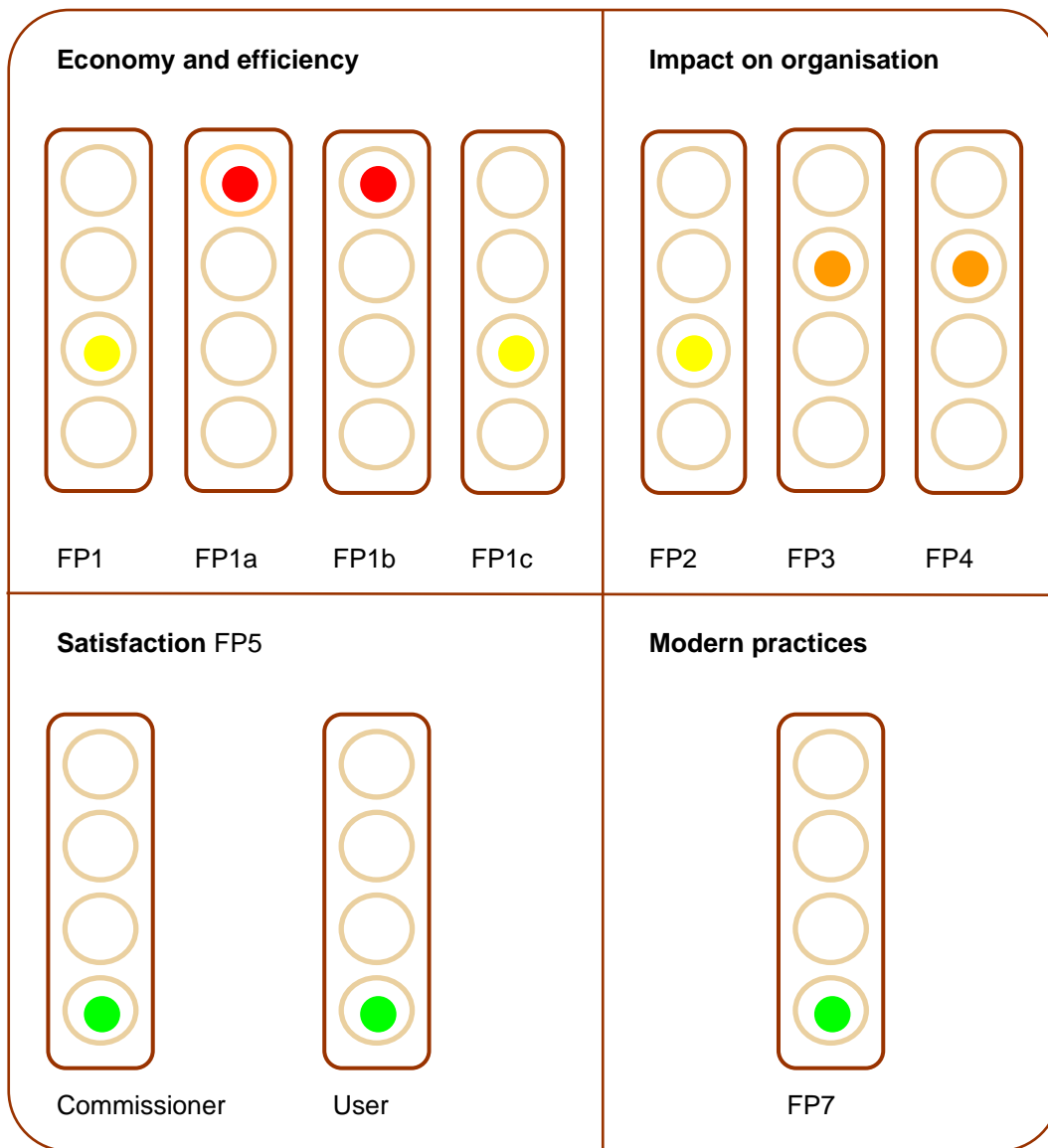
Buncester
Cottfield
Fatfield
Funcester
Gunton
Leftchester
Pearfield
Potshire
Tanshire
Woolforest

Buncity
Dogworth
Footcity
Furshire
Handchester
Lootfield
Plumcaster
Richforest
Thincity

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The Audit Agencies developed an approach to considering Value for Money for Corporate Services which had four dimensions. The overall results are shown below:



Notes:

a green light indicates performance in the best quartile; a yellow light indicates performance between the median and best quartile; an amber light indicates performance between the median and worst quartile and a red light indicates performance in the worst quartile

for the purposes of this report, high cost and low productivity are considered poor. However, we accept this is a generalisation and that in some circumstances organisations can choose to invest more in functions because they have under invested in the past or because they want to place particular emphasis on a function

full descriptions of the indicators are shown in the remainder of this report

the FP7 indicator shown for modern practices was optional for organisations using the CIPFA Financial Management Model.

Section 1 - ECONOMY AND EFFICIENCY

FP 1 Cost of the Finance function

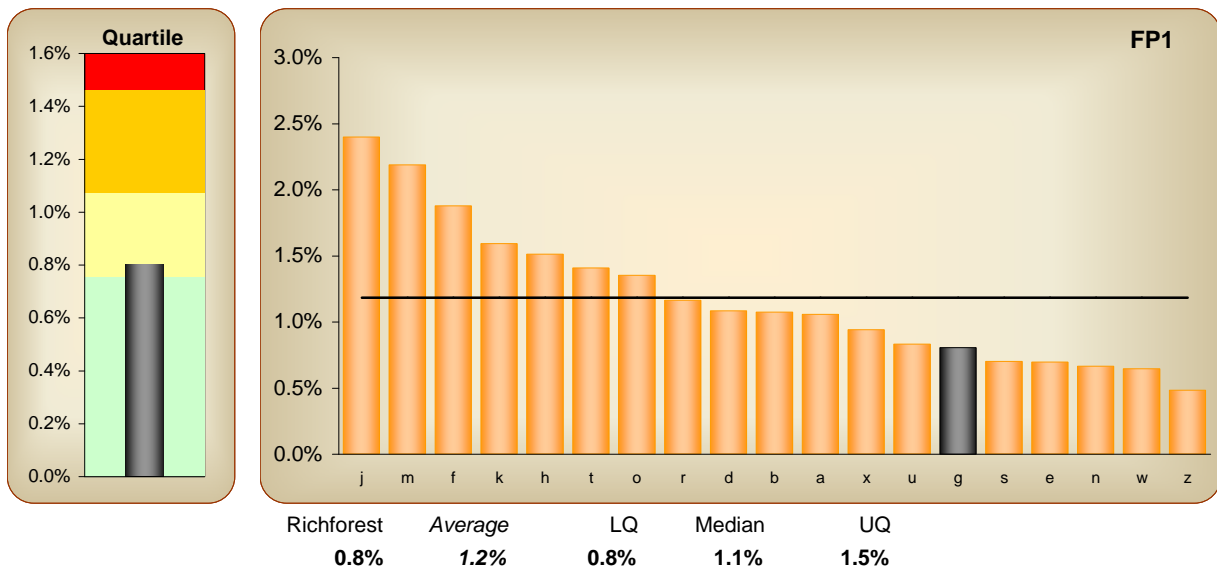
Rationale and expected impact on behaviour

A standard and commonly used indicator that seeks to establish whether the costs of running the finance function are in proportion to the resources that are being managed. Measurement of the total cost of the finance function as a percentage of overall spend allows management to monitor closely the finance cost of their organisation and could be used to track trends across any given time-frame.

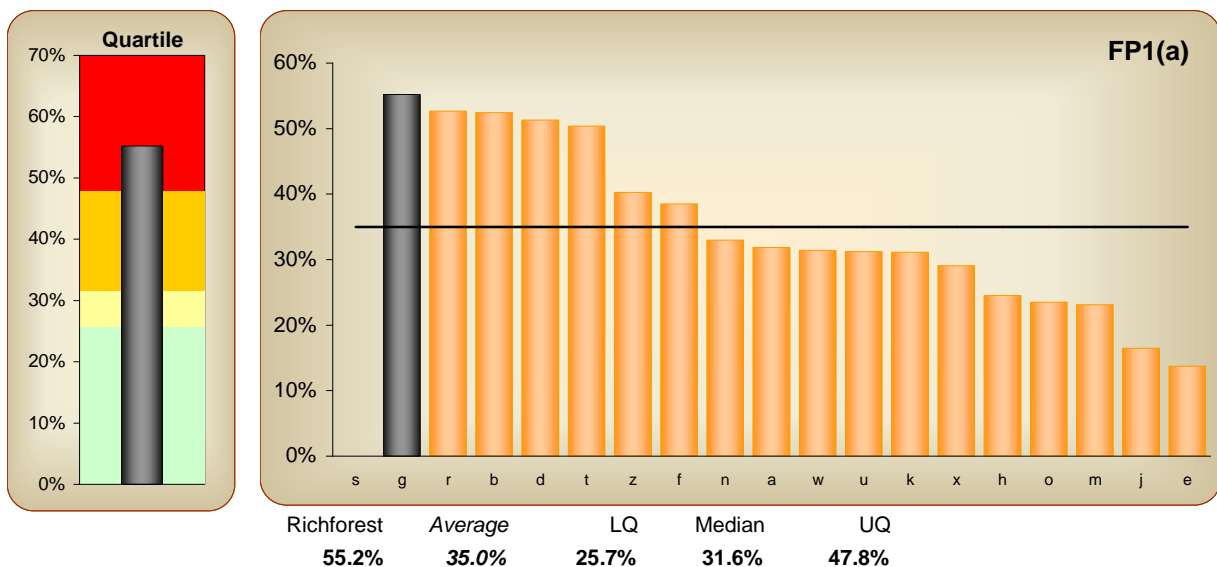
Measurement of the cost of transaction processing and business decision support enables organisations to understand the resources devoted by finance on 'value added' activities as a proportion of finance cost.

Over time, organisations should expect to reduce expenditure on transaction processing as a percentage of the total cost of the finance function. Similarly they should expect to increase the percentage of the total cost of the finance function spent on business decision support.

FP 1 Finance function cost as a percentage of organisational running costs



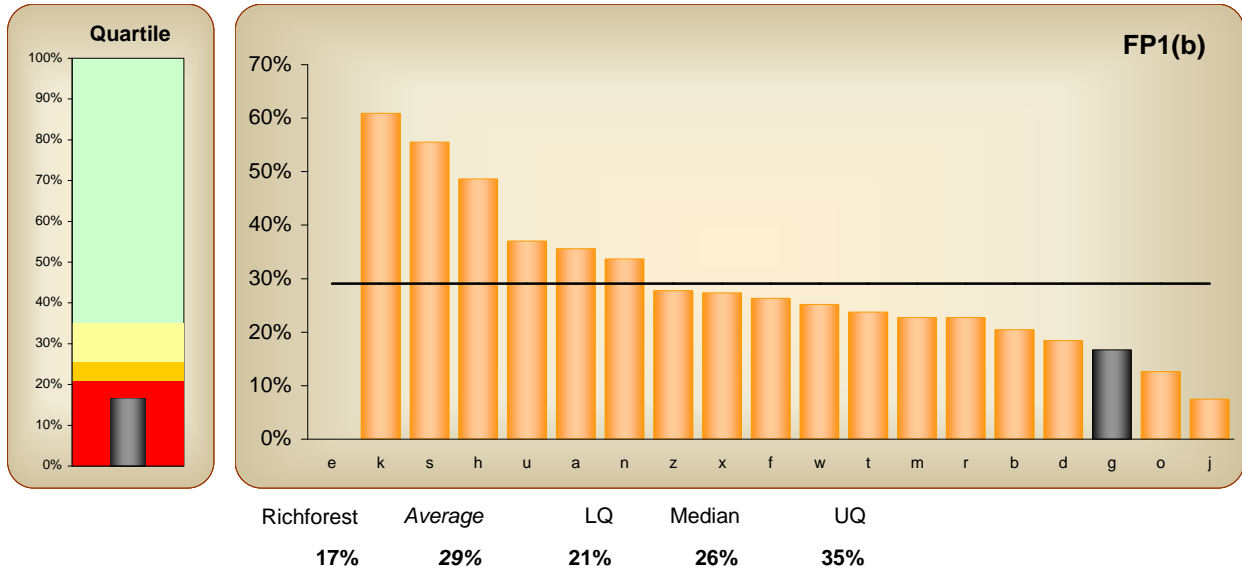
FP 1(a) Transaction processing cost as a percentage of finance function costs



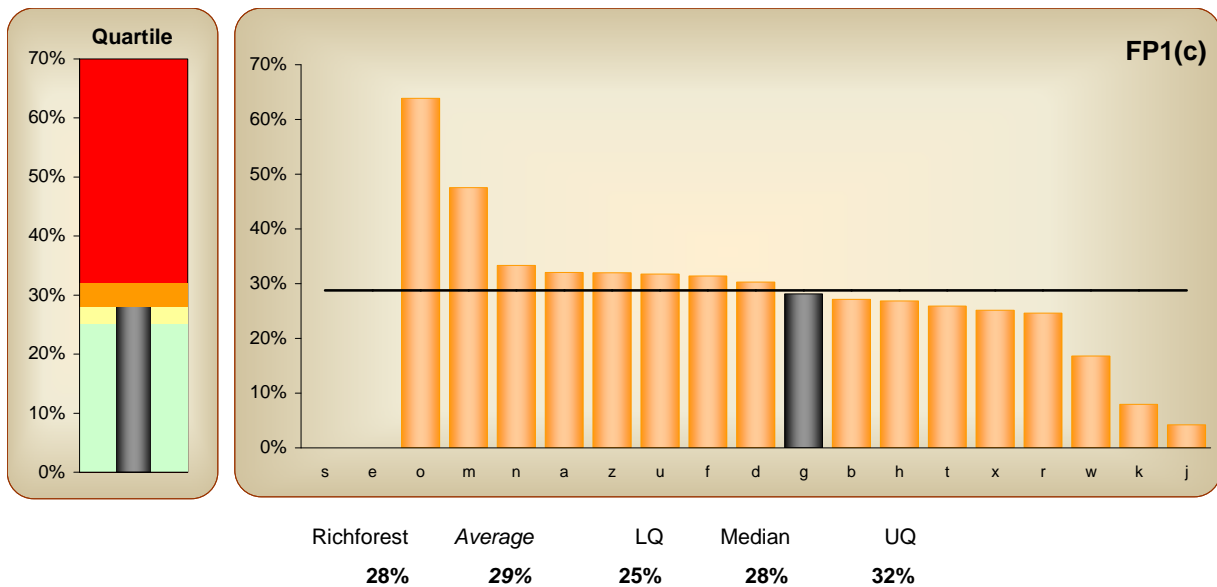
FP1 (b) Business decision support cost as a percentage of finance function costs

Rationale and expected impact on behaviour

This indicator measures the resources devoted by finance on 'value added' activities as a proportion of finance cost. The indicator excludes transactional activities which can significantly distort the picture. In most cases organisations should aim for a period-on-period increase in the proportion of finance function resources assigned to business decision support. However the optimal figure will always be a long way short of 100 per cent as work around reporting and controls will remain important.



FP1 (c) Cost of reporting and control as a proportion of the cost of the finance function



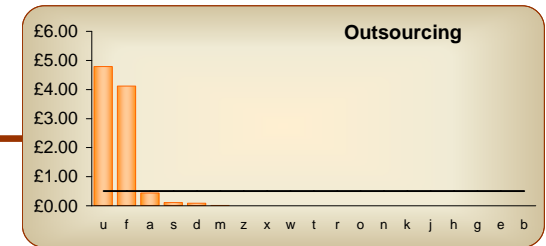
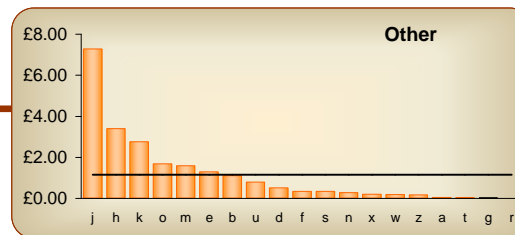
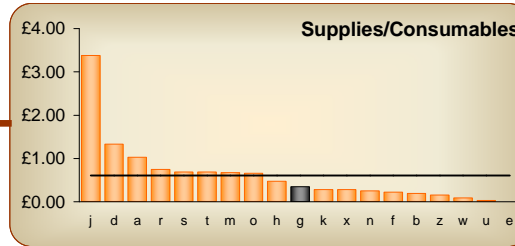
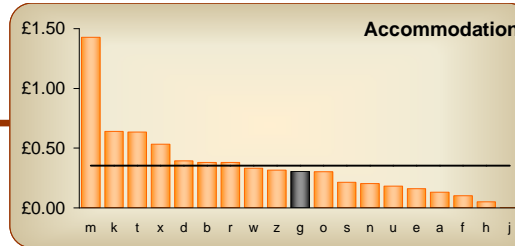
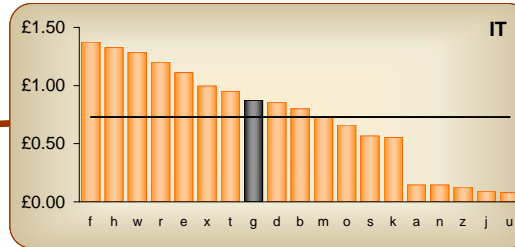
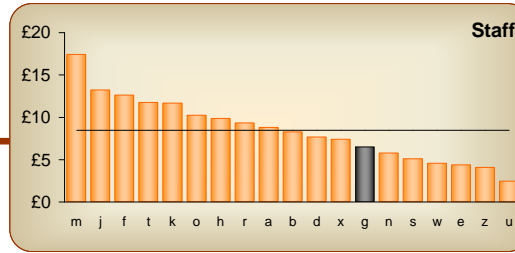
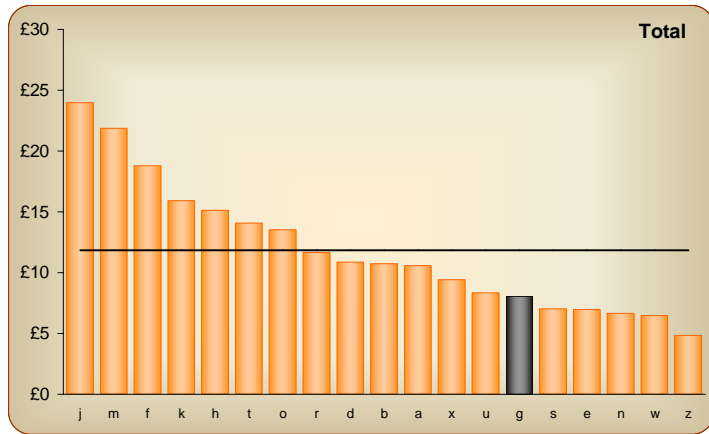
Finance cost/£'000 Organisation running costs 2007/08

For each benchmark two figures are given, the first being the organisation's cost and the second (in italics) is the group average.

		Staff							
		£6.52	£8.49						
		IT							
		£0.87	£0.73						
		Accommodation							
		£0.31	£0.35						
Total Cost									
£8.06	£11.84								
		Supplies & Consumables							
		£0.35	£0.61						
		Outsourcing							
		£0.00	£0.50						
		Other							
		£0.02	£1.16						

Costs 2007/08 (£'000)	
Staff	4,000
IT	535
Accommodation	188
Supplies and Consumables	213
Outsourcing	-
Other	15
Total	4,951
Organisational running costs	613,965

Finance Cost per £'000 Organisational running costs
2007/08 Actuals



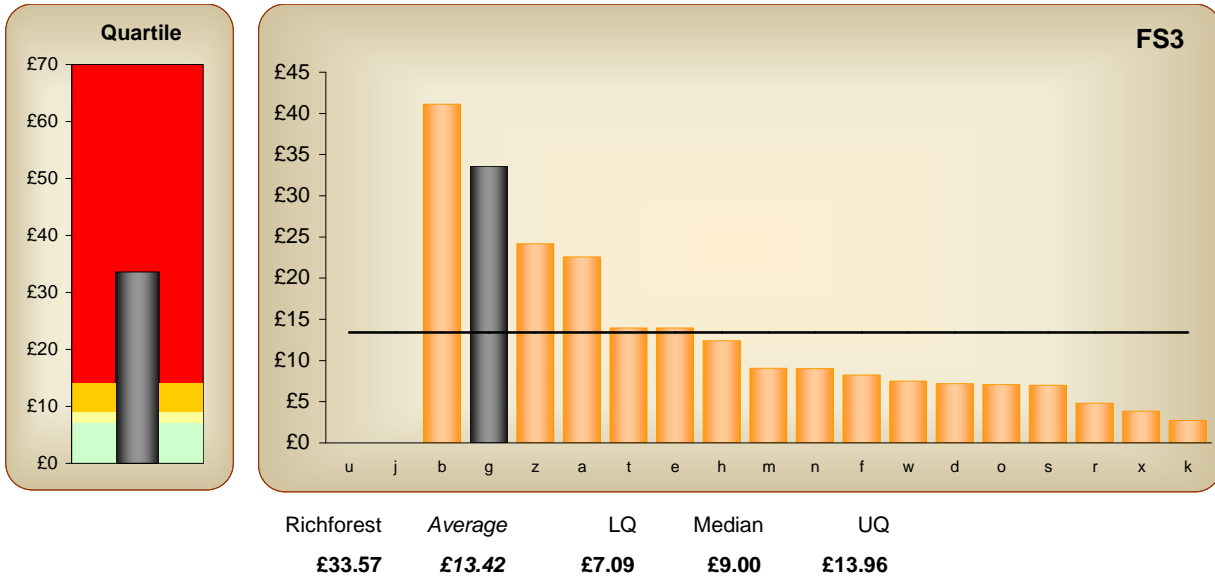
Secondary Indicators

FS3 Cost of Customer Invoicing function per customer invoice processed

Rationale and expected impact on behaviour

A standard and commonly used indicator that examines the efficiency of the invoicing function by identifying the cost of raising each customer invoice. Organisations should interpret achievement against this indicator alongside secondary indicators 5 (credit notes as a percentage of invoices raised) and 6 (cost of Accounts Payable per invoice processed).

In most cases organisations should aim for a period-on-period reduction in the average cost of invoice processing. This indicator could additionally suggest the minimum value for which an invoice should be raised.

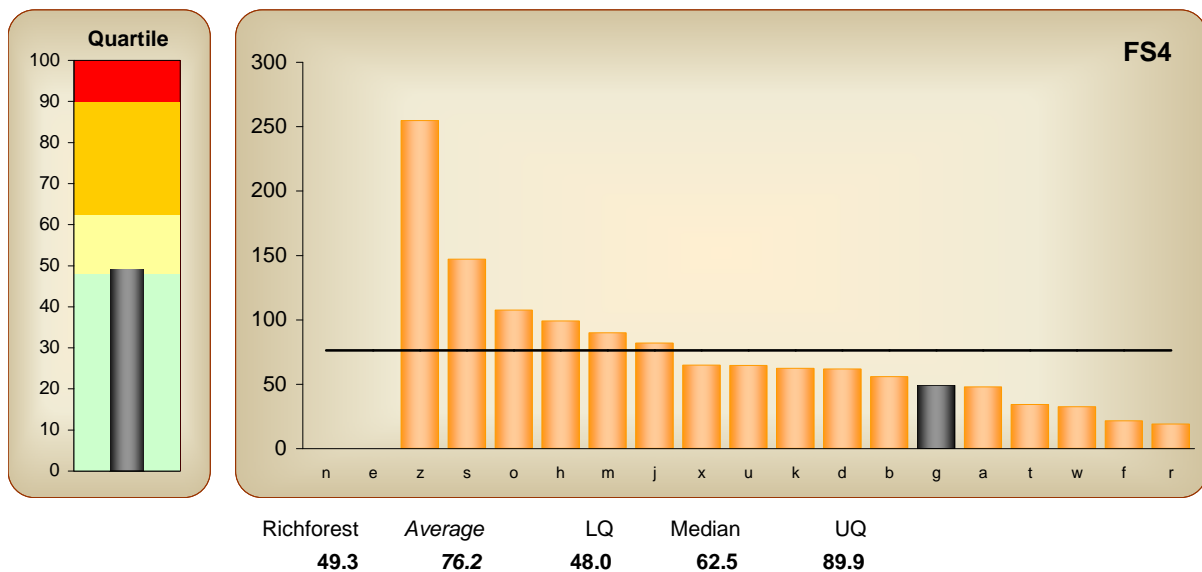


FS4 Debtor days

Rationale and expected impact on behaviour

A standard and commonly used indicator that identifies the average number of days for the organisation to receive payment for its invoices.

Organisations should aim to achieve a period-on-period reduction in average debtor days.

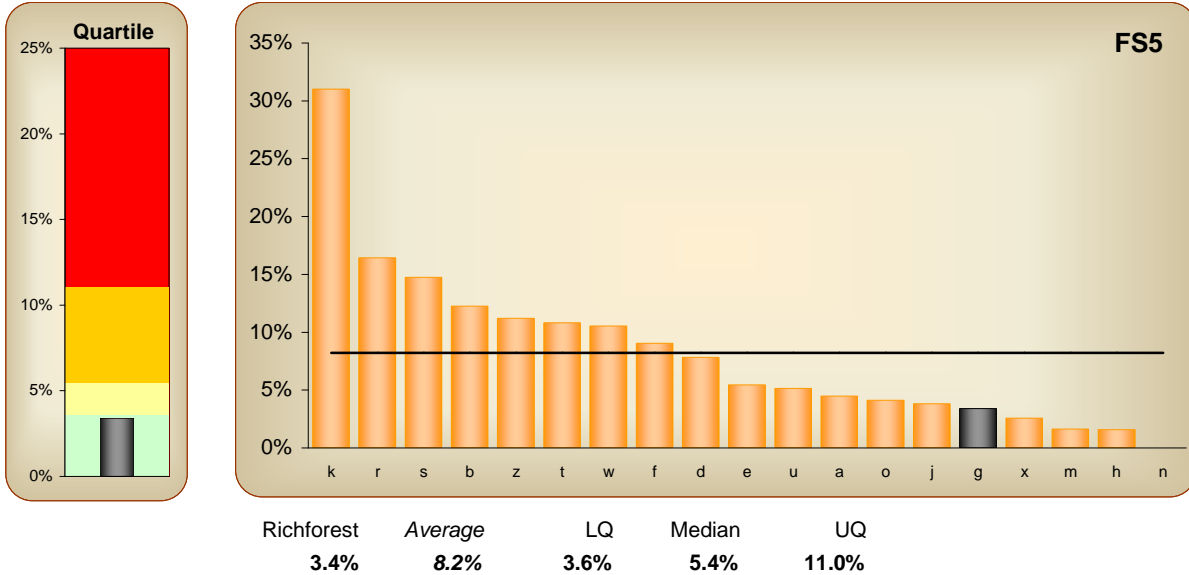


FS5 Credit notes as a % total customer invoices raised

Rationale and expected impact on behaviour

This indicator examines the accuracy of invoices raised by reviewing the number of credit notes required to make adjustments to invoices previously raised.

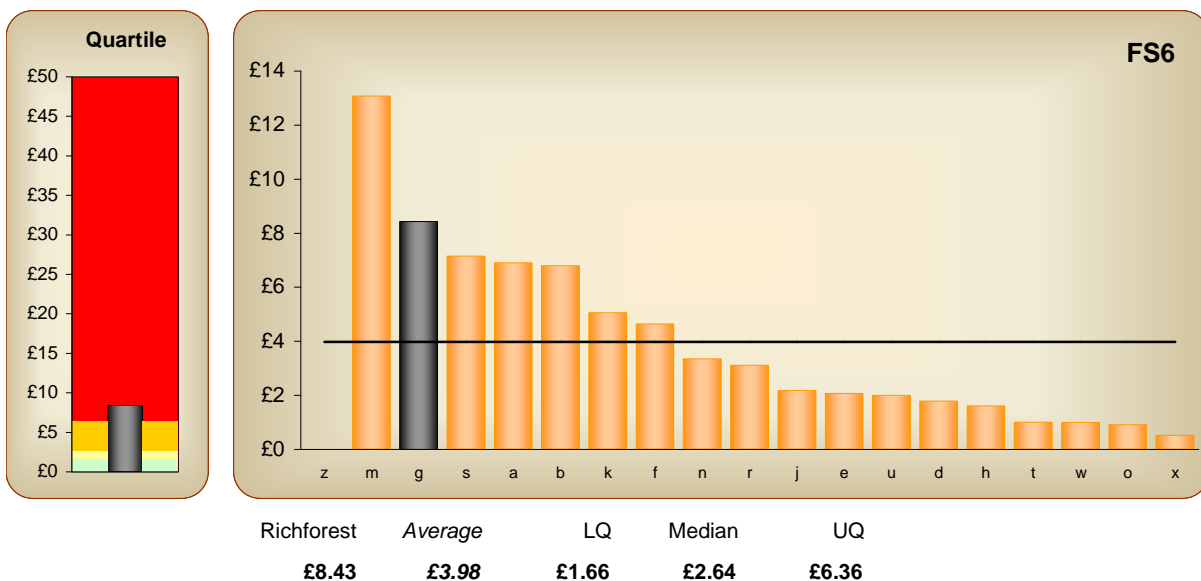
Organisations should aim to achieve a period-on-period reduction in the percentage achieved for this indicator. Organisations should interpret achievement against this indicator alongside secondary indicators 3 (cost per customer invoice processed) and 6 (cost of Accounts Payable per invoice processed). (Note: The indicator is being used as a proxy for accuracy although it is recognised that organisations may use other mechanisms to make adjustments).



FS6 Cost of Accounts Payable per accounts payable invoice processed

Rationale and expected impact on behaviour

A standard and commonly used indicator identifying the cost of processing each supplier invoice. Organisations should aim to achieve a period-on-period reduction in the cost achieved for this indicator. Organisations should interpret achievement against this indicator alongside secondary indicators 3 (cost per invoice raised) and 5 (credit notes as a percentage of invoices raised).

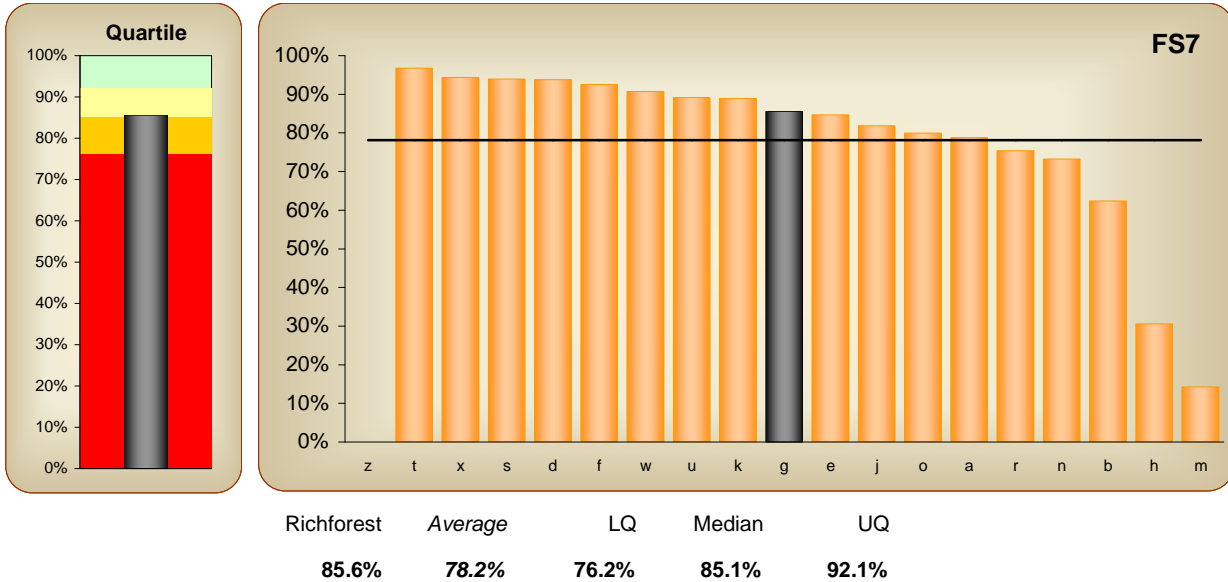


FS7 % payments made by electronic means

Rationale and expected impact on behaviour

This indicator identifies the proportion of all payments made electronically, particularly with respect to BACs and RfT1, since these methods usually offer the most effective savings of time and cost compared with manual payment systems.

In most cases organisations would seek to achieve a period-on period increase in the proportion of payments made electronically.

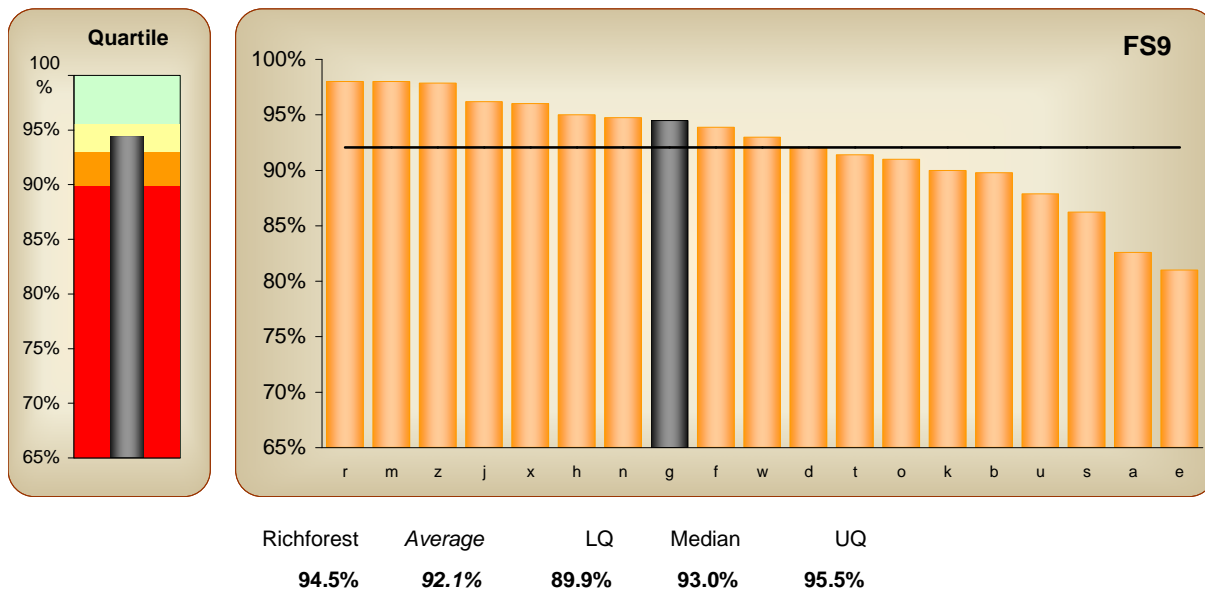


FS9 % invoices for commercial goods & services paid by the organisation within 30 days of receipt or within the agreed payment terms

Rationale and expected impact on behaviour

A standard and commonly used indicator that identifies the average number of days it takes for the organisation to pay for its purchases.

Performance should be within the appropriate prompt payment requirements.



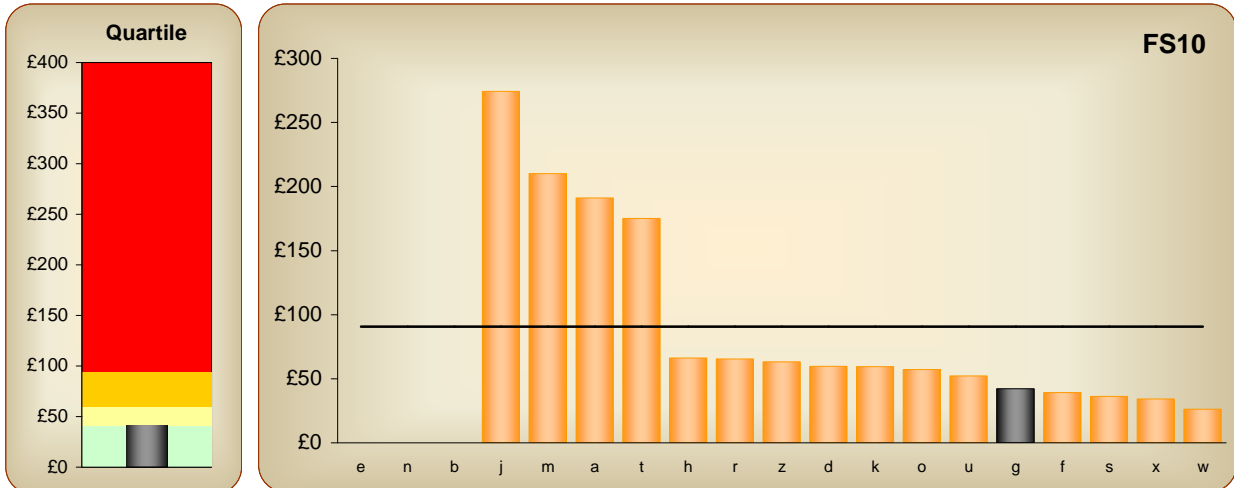
FS10 Payroll admin cost per employee paid

Rationale and expected impact on behaviour

A standard and commonly used indicator that seeks to establish the cost of paying one single employee as an indicator of the cost effectiveness of the payroll function.

In most cases organisations should aim for a period-on-period reduction in the average cost.

(Note: This function may be a responsibility of HR in some organisations. In these instances the indicator should accordingly be completed by HR)



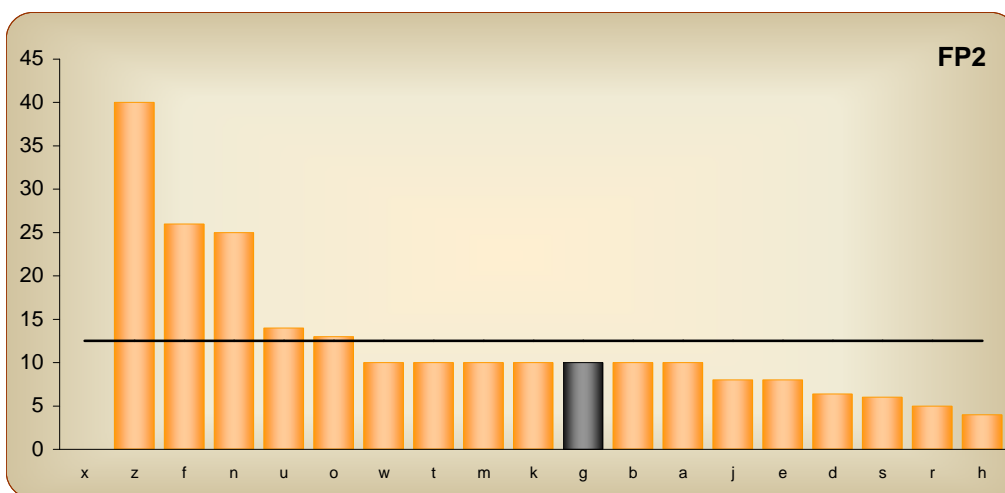
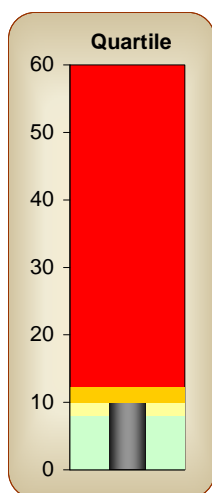
Richforest	Average	LQ	Median	UQ
£42.32	£90.74	£41.53	£59.62	£93.42

Section 2 - IMPACT

FP 2 Days from period-end closure to distribution of routine financial reports to budget managers and overseeing boards and committees

Rationale and expected impact on behaviour

This indicator measures the typical number of days it takes the finance department to produce management information and so identifies the extent to which budget managers, and overseeing boards and committees, can take timely financial decisions based on up to date financial information. In most circumstances organisations should aim to reduce the number of working days to produce financial reports. Organisations should interpret their achievement against this indicator in conjunction with the response to the commissioner statement 'The financial information provided for financial planning and management is accurate, timely and easy to access' (contained in primary indicator 5) and secondary indicator 2b (which asks whether the year-end accounts were qualified by external audit).

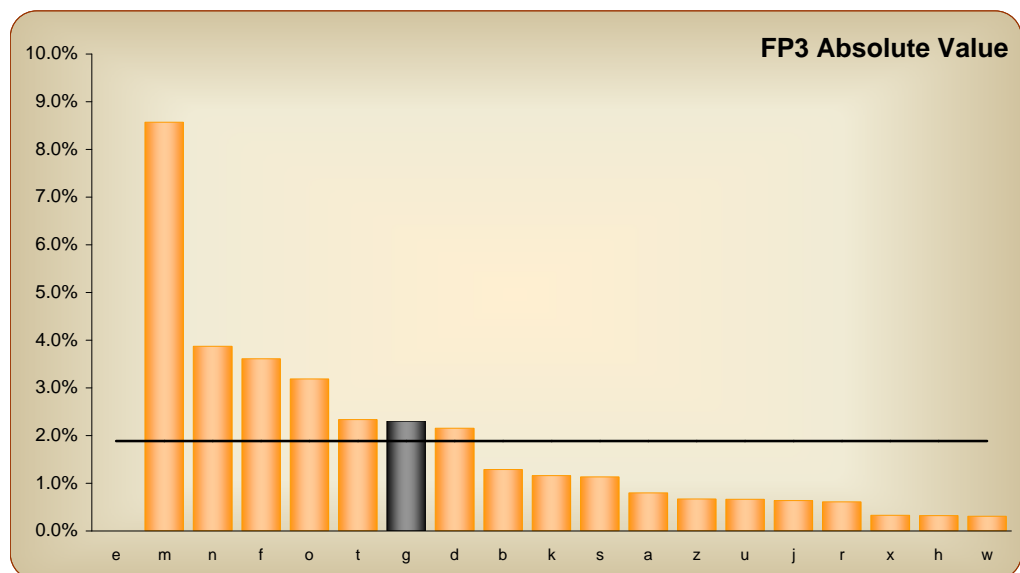
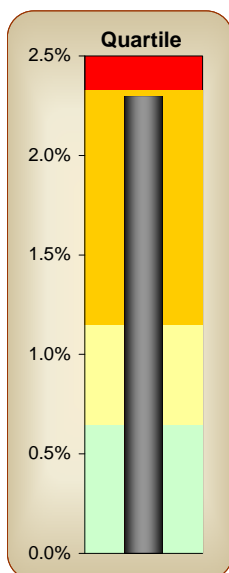
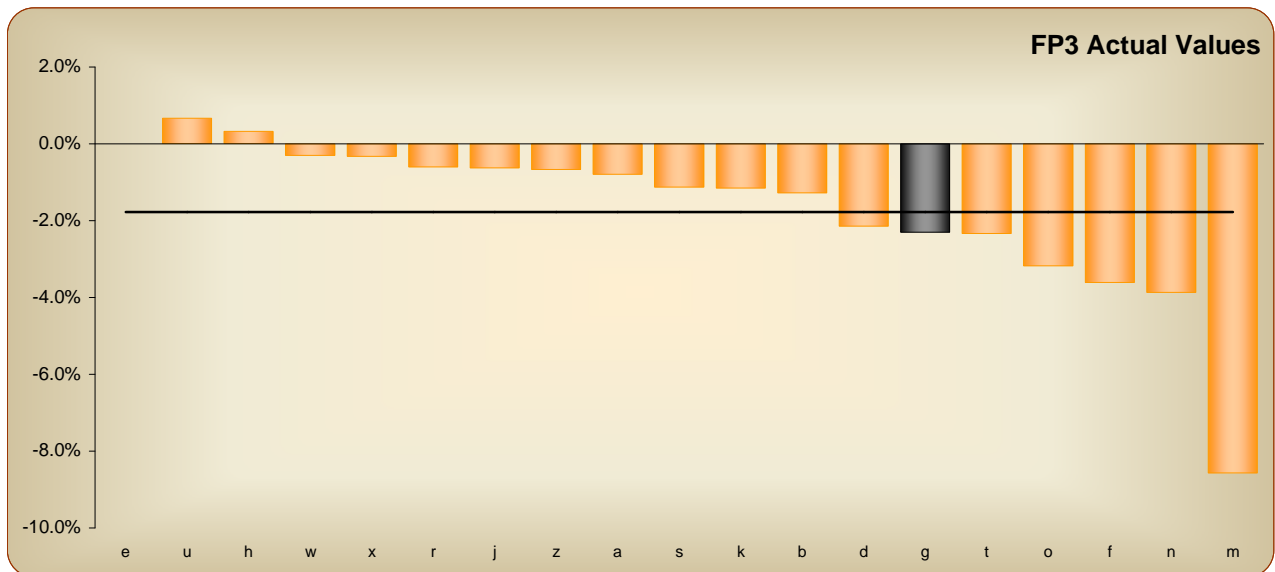


Richforest	Average	LQ	Median	UQ
10	13	8	10	12

FP 3 % variation between forecast outturn at month 6 and the actual outturn at month 12

Rationale and expected impact on behaviour

This indicator assesses the accuracy of forecasting. Organisations should aim to reduce the level of variation between their month 6 forecast and the year-end outturn by improving forecasting and budgetary control.



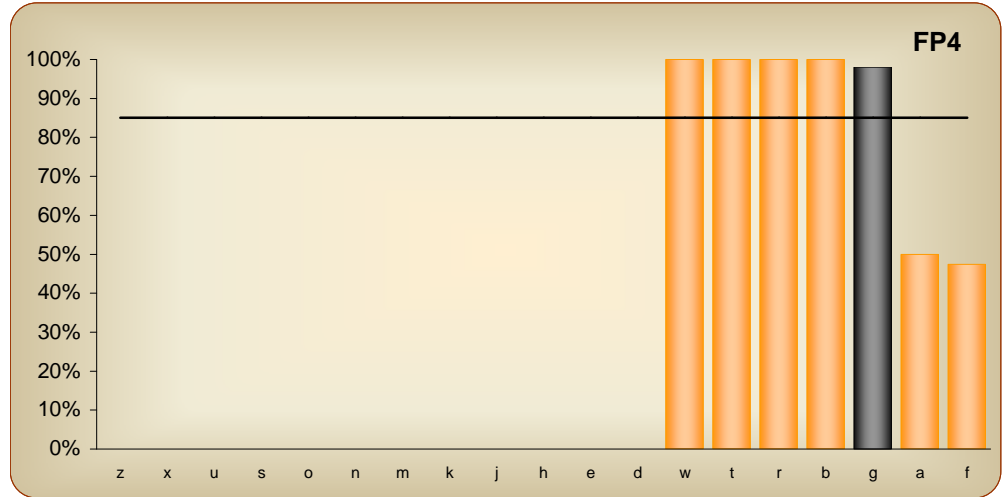
Richforest	Average	LQ	Median	UQ
2.3%	1.9%	0.6%	1.1%	2.3%

FP 4 % public sector organisation spend for which there are fully costed outputs which are measured by key performance metrics and for which a named individual is accountable

Rationale and expected impact on behaviour

High performing organisations are likely to ensure that the totality of their spend is allocated against outputs, supported by key metrics which measure performance with clear lines of accountability.

Over time, organisations should aim to increase the percentage of their spend that meets the criteria of this indicator.



Richforest	Average	LQ	Median	UQ
98%	85%	74%	100%	100%

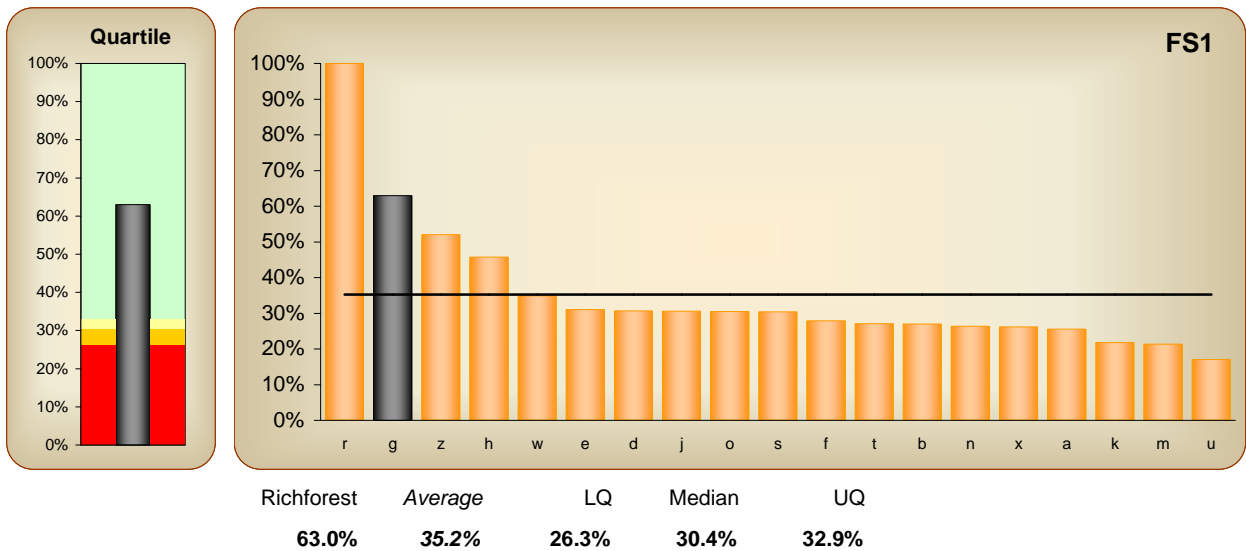
Secondary Indicators

FS1 Professionally qualified finance staff as % total finance staff (FTEs) undertaking reporting, controls and decision support processes (i.e. excludes those staff involved in transactional processes)

Rationale and expected impact on behaviour

This indicator assesses the capacity and competency of the finance department by examining the proportion of staff with a professional accountancy qualification.

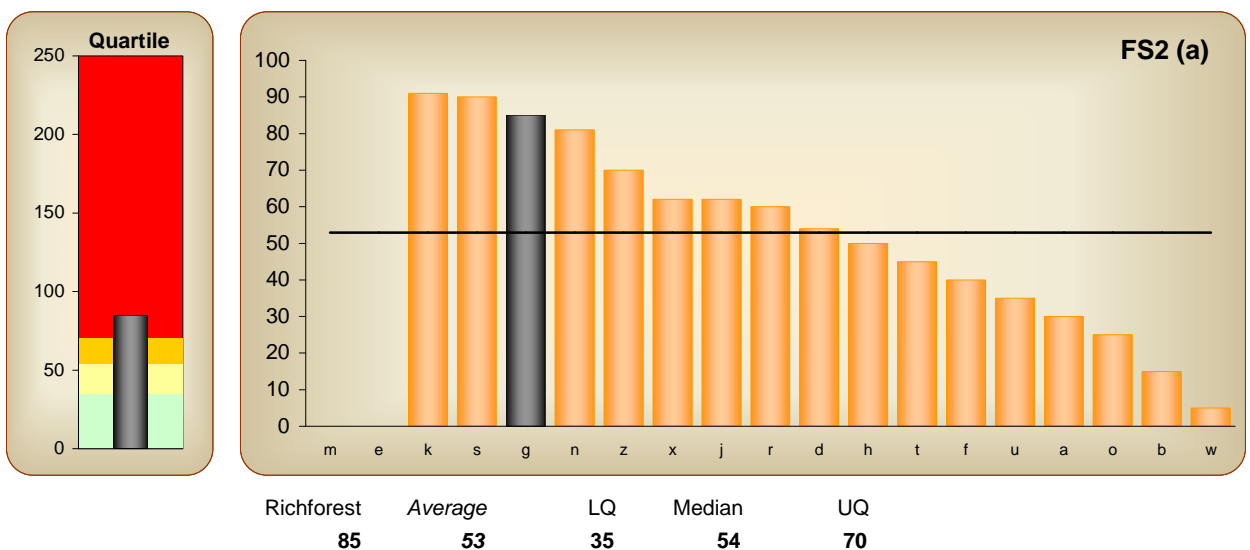
In most cases organisations would aim for a period-on-period increase in this percentage. Organisations should interpret their achievement against this indicator alongside primary indicator 5 (the commissioner and user satisfaction index) and secondary indicator 2 (the length of time necessary to produce year-end accounts and whether those accounts required qualification).



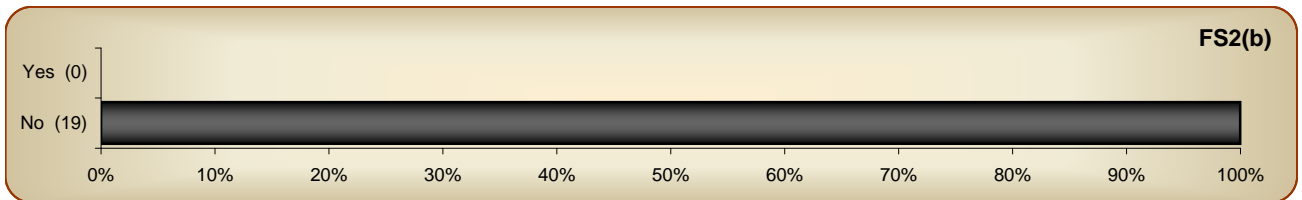
FS2 (a) Days from year-end closure to submission of annual accounts to external auditor

Rationale and expected impact on behaviour

This indicator examines the effectiveness of the finance function by assessing their ability to produce a timely and accurate set of final audited accounts. Year-end closure to submission of audited accounts varies both across organisations and sectors. It will be appropriate to compare with similar type organisations. In most circumstances organisations should aim to both reduce the number of days taken to prepare their year-end accounts and ensure that they do not require external qualification.



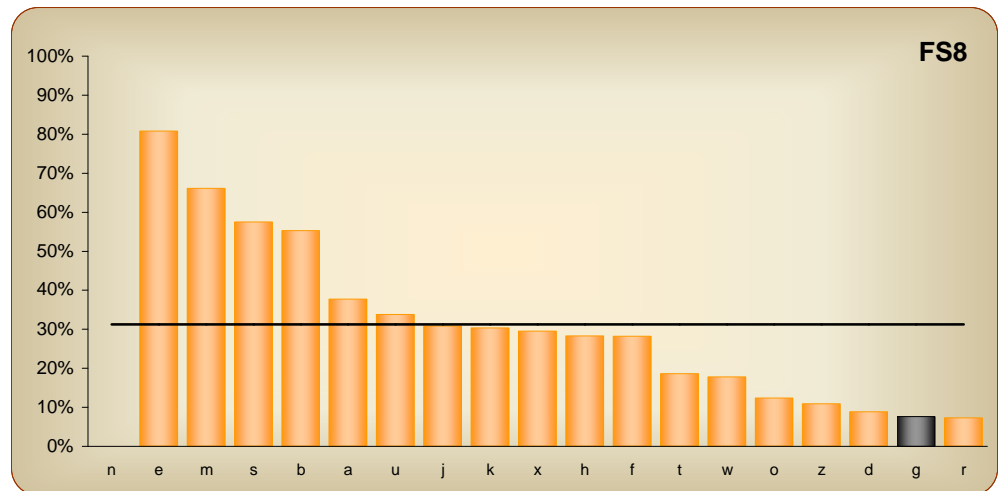
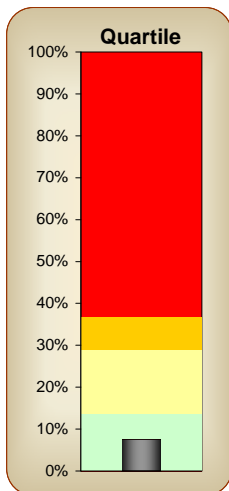
FS2(b) Was the last set of accounts qualified by external audit?



FS8 % outstanding debt that is more than 90 days old from date of invoice

Rationale and expected impact on behaviour

This indicator examines the ability of the finance department to recover outstanding debts from customers. We have adopted the commonly used 90-day credit period as the basis for the indicator. Organisations should aim to achieve a period-on-period reduction in the proportion achieved for this indicator. This indicator should be used in tandem with Secondary Indicator 4.



Richforest	Average	LQ	Median	UQ
7.6%	31.2%	13.7%	28.9%	36.7%

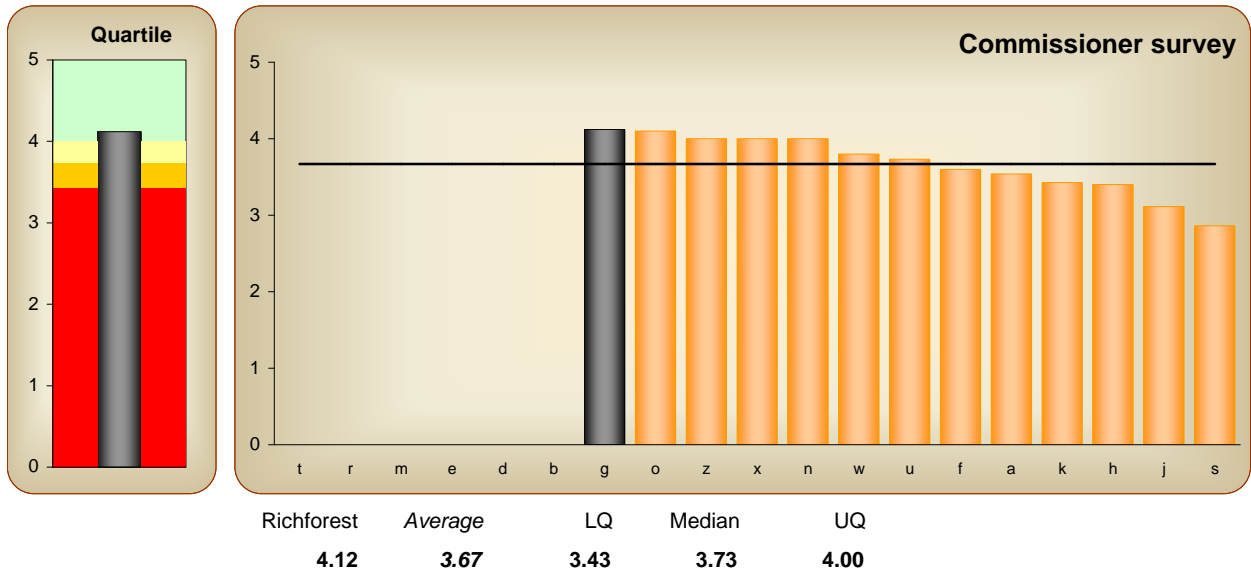
Section 3 - SATISFACTION

Rationale and expected impact on behaviour

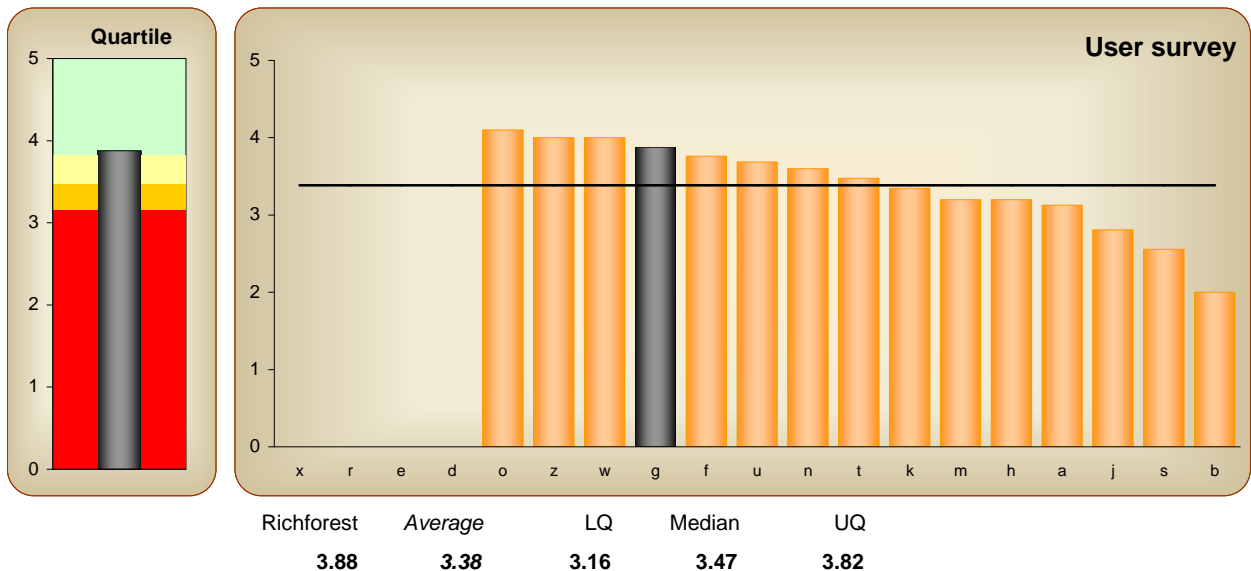
This indicator examines the effectiveness of the finance function by assessing the perceptions of its commissioners and users. The indicators have been identified because they are considered to indicate whether the function communicates effectively with its commissioners and users, and is responsive to the requirements of the organisation.

Over time, organisations should seek to increase the proportion of commissioners and users agreeing with the statements.

FP 5 Commissioner satisfaction average score



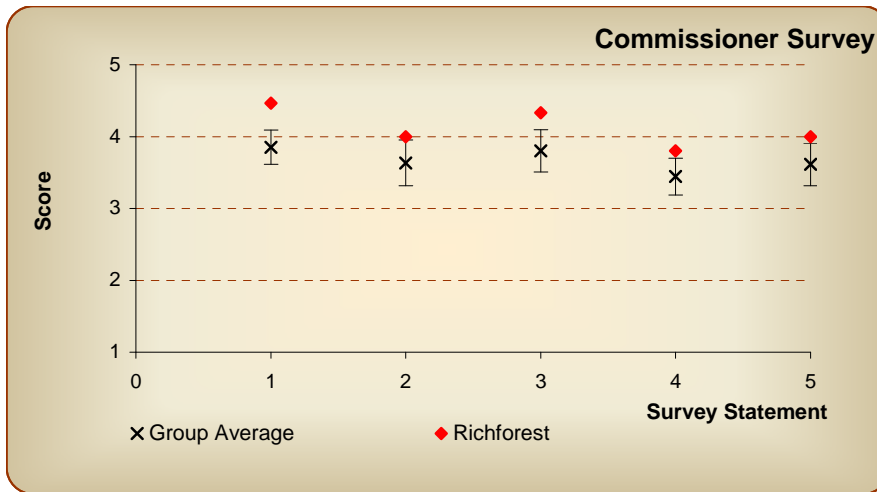
FP 5 User satisfaction average score



Analysis of individual statement scores

These charts show the average performance scores for all participants as black x's. The black error bars show one standard deviation either side of the mean. Approximately 65 - 70% of the organisations will fall within this range. The red diamond is the average score for your organisation.

Commissioner Survey



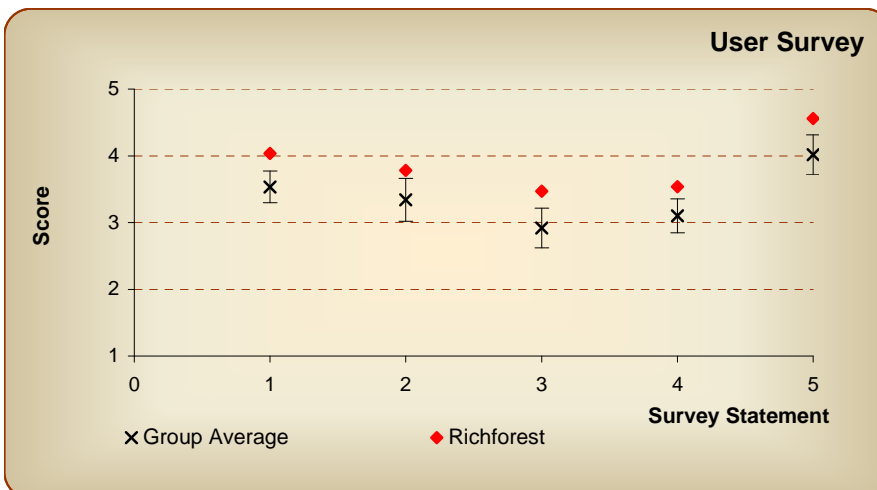
Scores

- 5 Strongly Agree
- 4 Agree
- 3 Neither
- 2 Disagree
- 1 Strongly Disagree

Survey Statements

- 1 • The Finance function supports the financial implications of the organisation's strategy, policy and delivery discussions by providing effective support and challenge.
- 2 • The financial information provided for financial planning and management is accurate, timely and easy to access.
- 3 • The organisation's financial systems are secure and efficient.
- 4 • The Finance function proactively anticipates my needs.
- 5 • The Finance function provides value for money.

User Survey



Scores

- 5 Strongly Agree
- 4 Agree
- 3 Neither
- 2 Disagree
- 1 Strongly Disagree

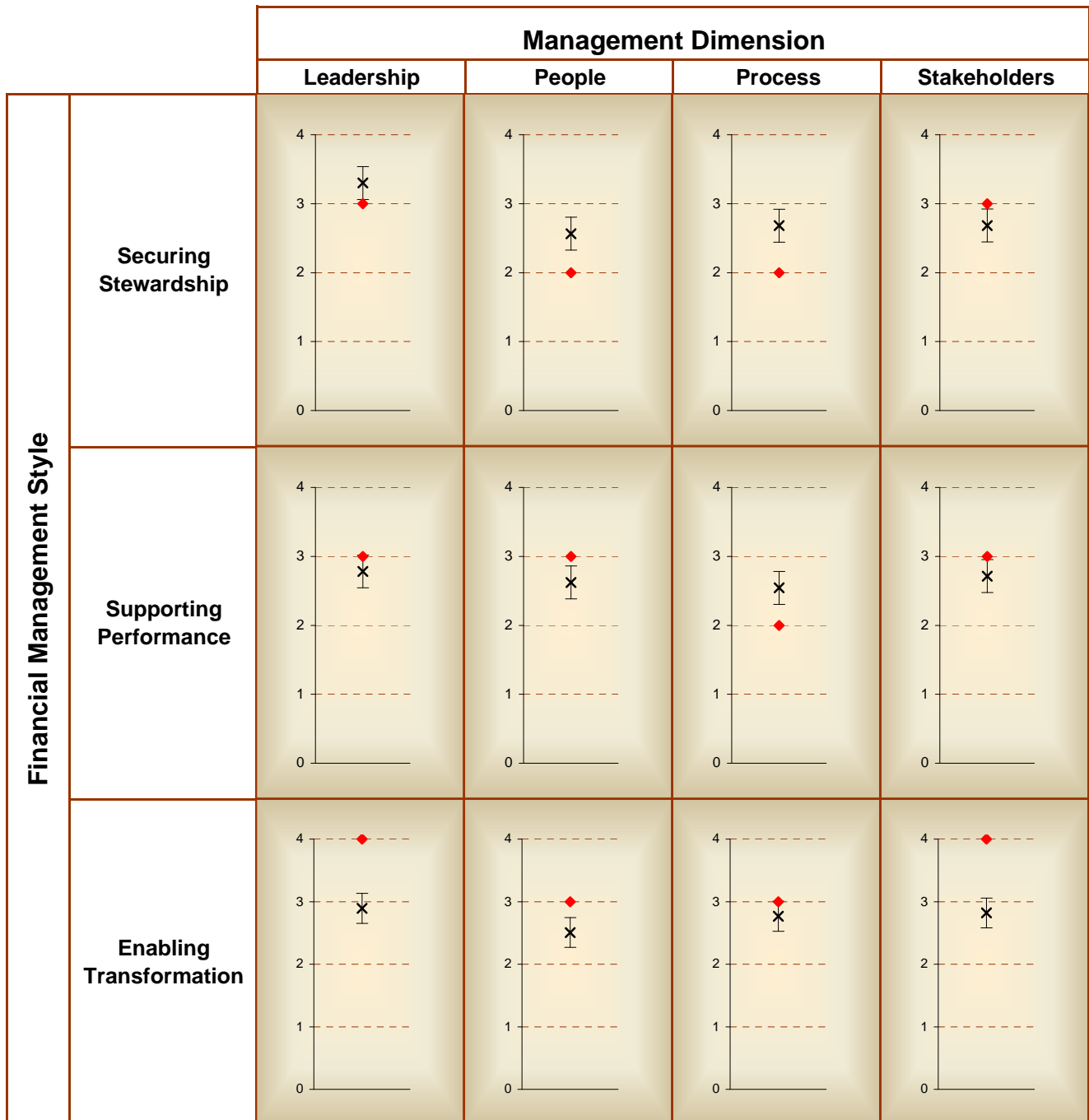
Survey Statements

- 1 • Finance regularly provides the information needed to understand the level of delivery in my area of responsibility and the related cost.
- 2 • Finance policies and procedures are clear and understandable.
- 3 • The organisation has clear and easy to use financial systems.
- 4 • Appropriate financial management training for non-finance staff is provided.
- 5 • I know who to contact if I have a query regarding finance.

Section 4 - Management Practice Indicators

CIPFA Financial Management Model

This indicator was intended primarily for Central Government Bodies

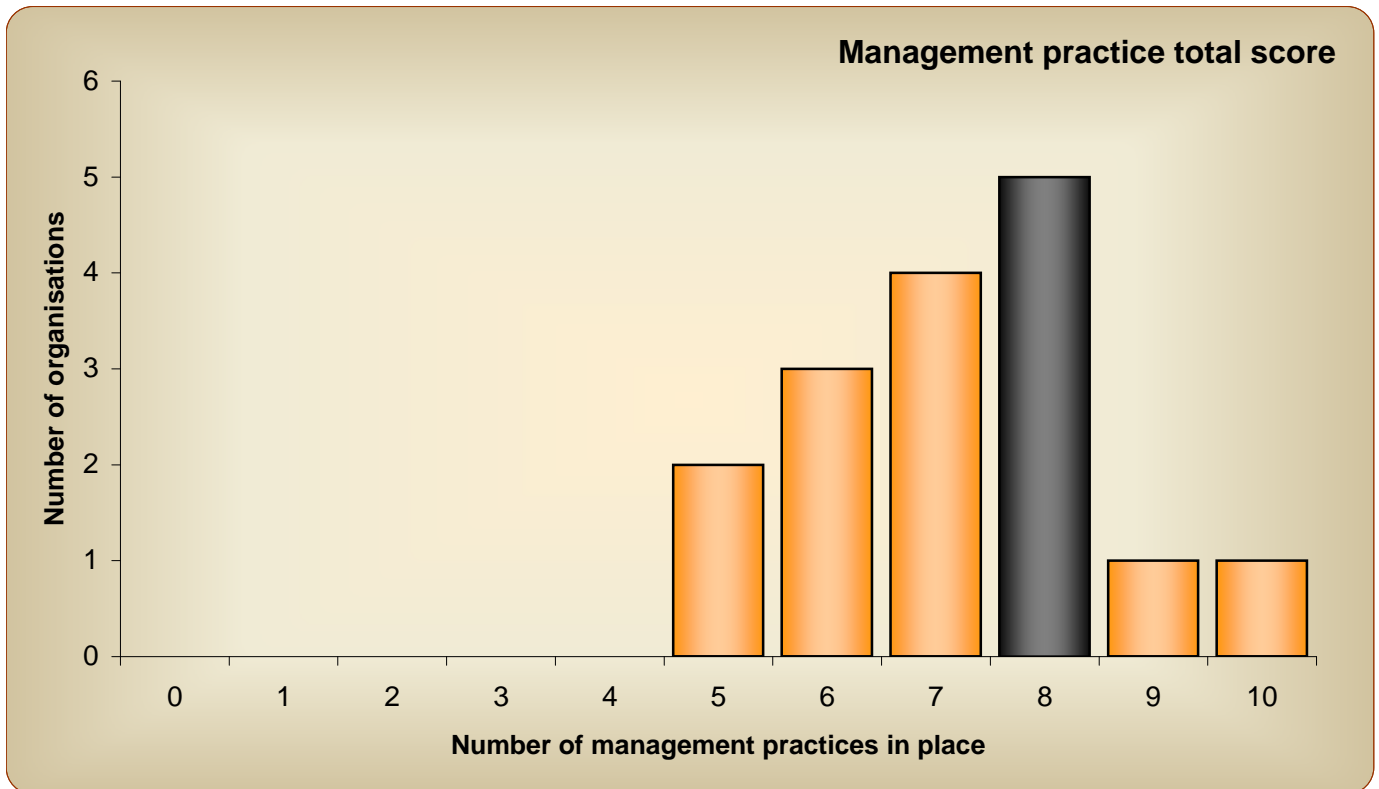


These charts show the average performance scores for all participants as black x's. The black error bars show one standard deviation either side of the mean. Approximately 65 - 70% of the organisations will fall within this range. The red diamond is the average score for your organisation.

(Care should be taken when interpreting these results as they are based on a very small sample size)

Modern Management Practices

This indicator was intended primarily for Non-Central Government Bodies

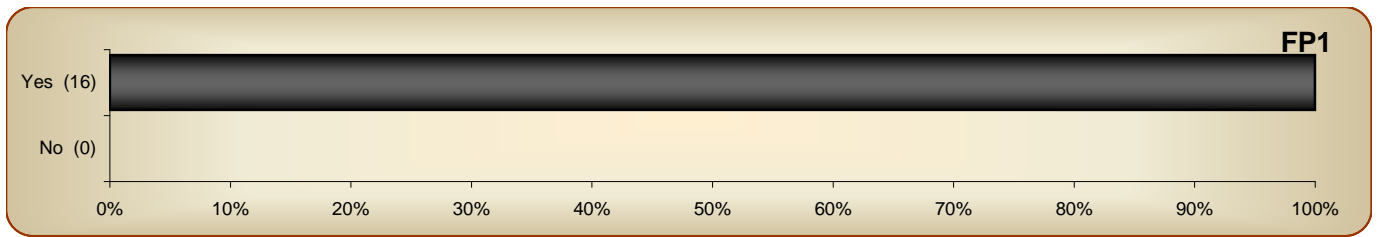


Richforest 8 Average 7 LQ 6 Median 7 UQ 8

	Richforest	Yes	No	% Yes	% No
FP1	Yes	16	0	100.0%	0.0%
FP2	No	6	10	37.5%	62.5%
FP3	Yes	16	0	100.0%	0.0%
FP4	Yes	14	2	87.5%	12.5%
FP5	Yes	15	1	93.8%	6.3%
FP6	No	10	6	62.5%	37.5%
FP7	Yes	10	6	62.5%	37.5%
FP8	Yes	9	7	56.3%	43.8%
FP9	Yes	9	7	56.3%	43.8%
FP10	Yes	10	6	62.5%	37.5%

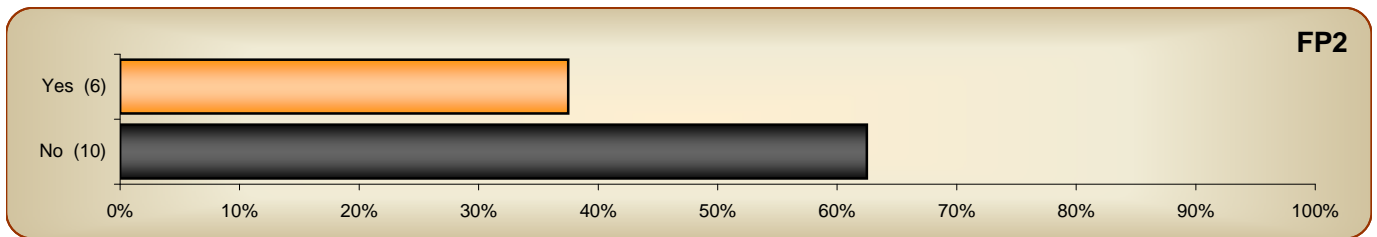
FP1

The responsibilities of budget holders are clearly understood and embedded in performance appraisal



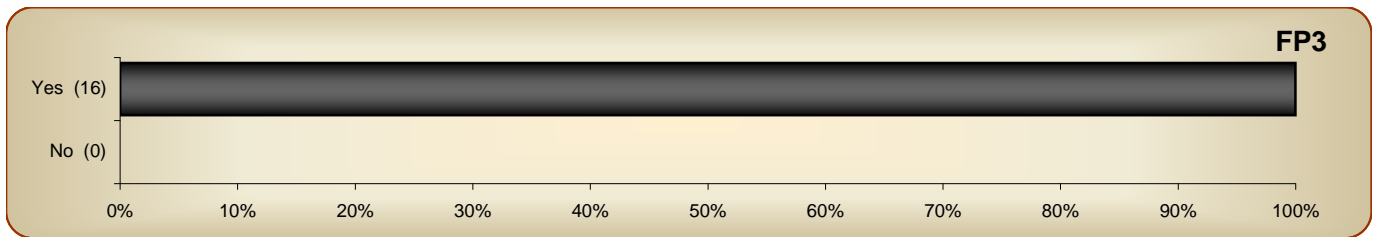
FP2

Service levels and expectations have been set with key internal customers using a documented approach such as an SLA or Customer Charter, with regular service review meetings held



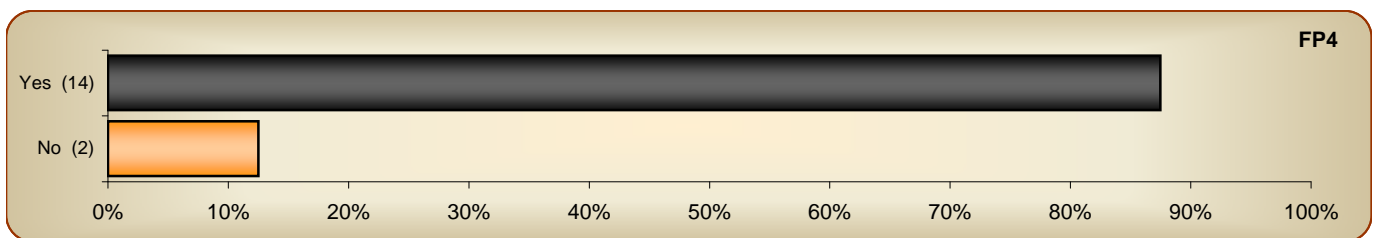
FP3

A rolling programme of reviewing and benchmarking the organisation's costs is in place across major service areas



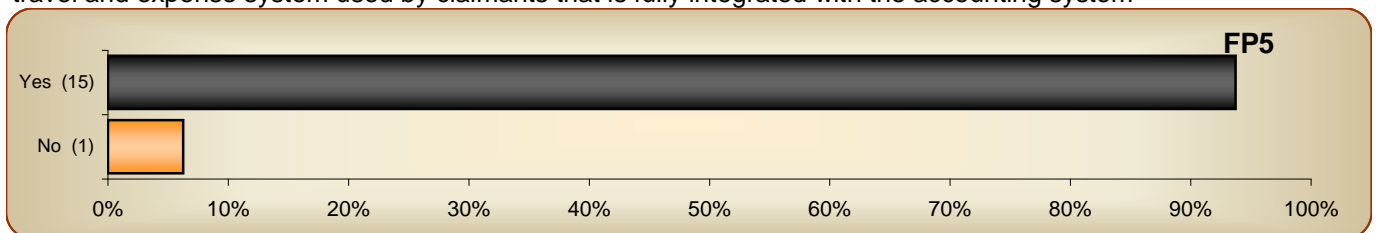
FP4

Standardised organisation-wide integrated software is in place with centralised data processing. This should cover as a minimum purchase to payment of supplier and invoice to cash receipt from a customer



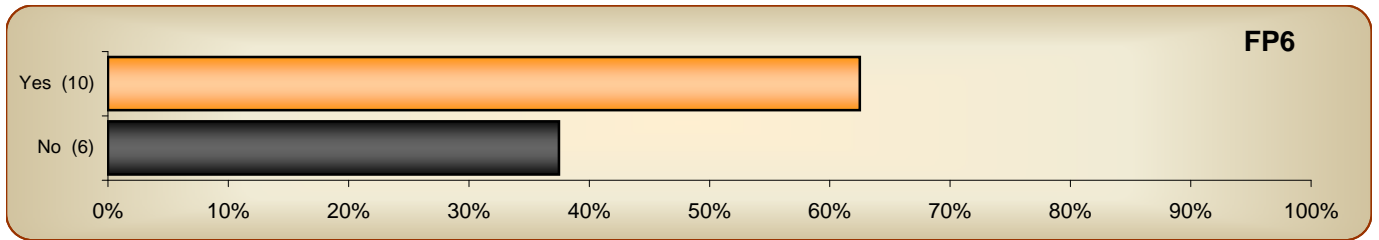
FP5

The organisation can demonstrate that it has used at least two of the following to steam-line financial processes in the last 3 years; a) bar coding, b) invoice scanning/imaging, c) workflow, d) web technologies to build extranets with external stakeholders, e) intranet to build self service capabilities for staff to check status, run reports, f) on-line travel and expense system used by claimants that is fully integrated with the accounting system



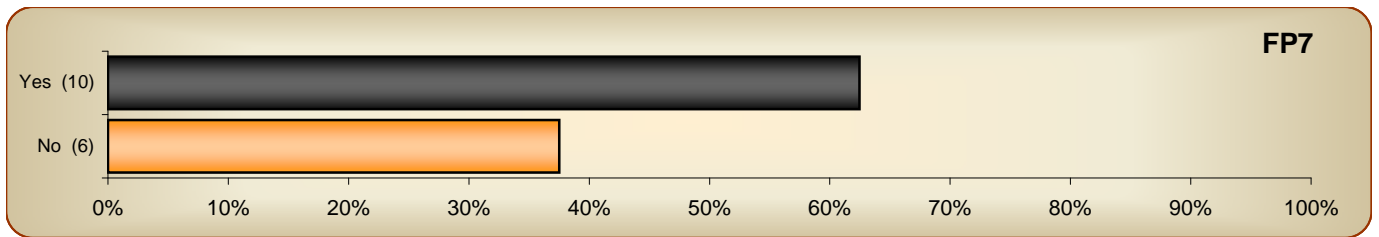
FP6

Fully automated accruals system based on purchase order and good/services received information held within a fully integrated accounting system



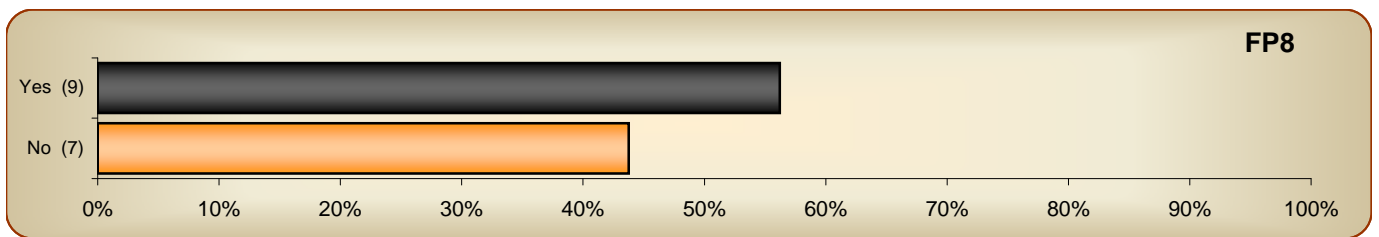
FP7

Budget holders have on-line, real-time insight into the status of their budget and can run standard financial and manpower reports through their desk top PC



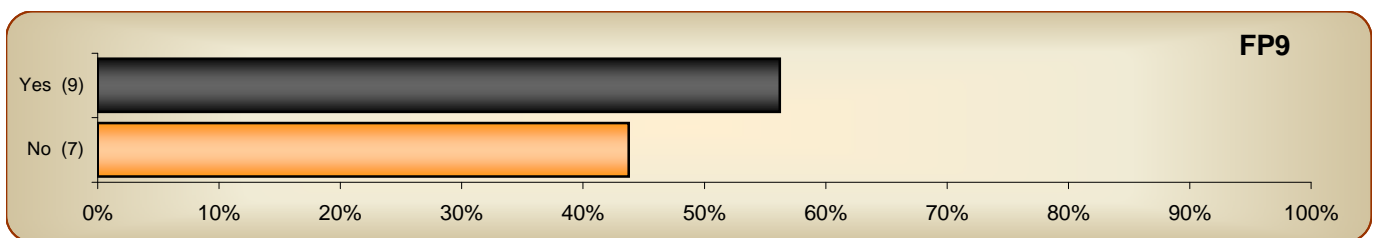
FP8

A needs based budget based on activity levels rather than historical baselines, is prepared at least every 3 years



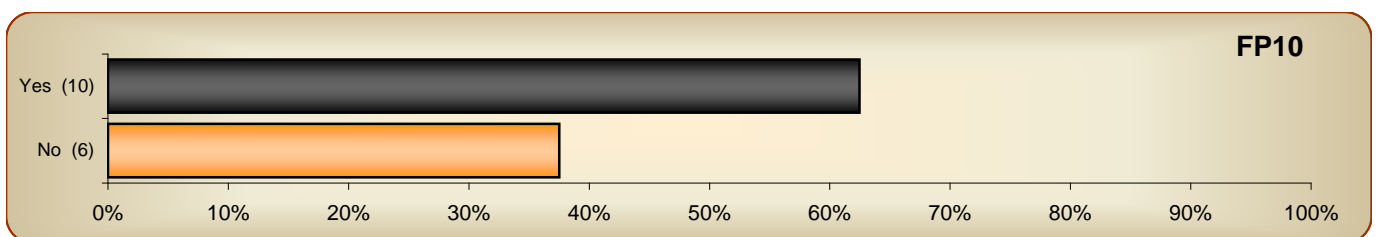
FP9

Customer satisfaction surveys are conducted at least annually with results openly published and acted upon



FP10

A comprehensive professional development programme is in place for Finance staff which ensures that they receive at least 5 days of continuing professional development per annum



Section 5 - Tabular Data

		Richforest	Average	Lower Quartile	Median	Upper Quartile
Primary Indicators						
FP1	Cost of the Finance function as a percentage of organisational running costs (expenditure)	0.8%	1.2%	0.8%	1.1%	1.5%
FP1(a)	Cost of the transaction processing as a proportion of the finance function	55%	35%	26%	32%	48%
FP1(b)	Cost of business decision support as a proportion of the cost of the finance function	17%	29%	21%	26%	35%
FP1(c)	Cost of reporting and control as a proportion of the cost of the finance function	28%	29%	25%	28%	32%
FP2	Cycle time in working days from period-end closure to the distribution of routine financial reports to all budget managers and overseeing boards and committees	10	13	8	10	12
FP3	% of variation between the forecast outturn and the actual outturn at month 12 (absolute values)	2.3%	1.9%	0.6%	1.1%	2.3%
FP4	Percentage of public sector organisation spend for which there are fully costed outputs which are measured by key performance metric and for which a named individual is accountable	98%	85%	74%	100%	100%
Secondary Indicators						
FS1	Professionally qualified finance staff as a percentage of total finance staff (FTEs) undertaking reporting, controls and decision support processes (i.e. excludes those staff involved in transactional processes)	63.0%	35.2%	26.3%	30.4%	32.9%
FS2(a)	Cycle time in days from year-end closure to submission of the annual accounts to the external auditor	85	53	35	54	70
			Yes	No	% Yes	% No
FS2(b)	Were the last set of accounts qualified by external audit?	No	0	19	100%	0%
FS3	Cost of Customer Invoicing function per customer invoice processed	£33.57	£13.42	£7.09	£9.00	£13.96
FS4	Debtors days	49.3	76.2	48.0	62.5	89.9
FS5	Credit notes as % of total customer invoices raised	3.4%	8.2%	3.6%	5.4%	11.0%
FS6	Cost of Accounts Payable per accounts payable invoice processed	£8.43	£3.98	£1.66	£2.64	£6.36
FS7	Proportion of accounts payable invoices paid by electronic means	85.6%	78.2%	76.2%	85.1%	92.1%
FS8	Proportion of outstanding debt that is more than 90 days old from date of invoice	7.6%	31.2%	13.7%	28.9%	36.7%
FS9	% invoices for commercial goods & services paid by the organisation within 30 days of receipt or within the agreed payment terms	94.5%	92.1%	89.9%	93.0%	95.5%
FS10	Cost of Payroll Admin per employee paid	£42.32	£90.74	£41.53	£59.62	£93.42